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TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [IMF](#) [IBRD](#) [MASS](#) [US](#) [CD](#)  
SUBJECT: IMF DELEGATION TO VISIT CHAD AS "STAFF MONITORED  
PROGRAM" FOR 3RD AND 4TH QTR 2008 FOUNDERS

REF: A. A) NDJAMENA 493  
[1](#)B. B) NDJAMENA 431

SENSITIVE BUT UNCLASSIFIED

[1](#)1. (SBU) IMF RESIDENT REPRESENTATIVE JOSEPH KARANGWA TOLD AMBASSADOR OCTOBER 30 THAT THE IFI WILL SEND AN "OVERSIGHT DELEGATION" TO CHAD EARLY NEXT MONTH EVEN THOUGH THE FUND'S AMBITIOUS PLAN TO PUT CHAD ON A "STAFF MANAGED PROGRAM" FOR THE SECOND HALF OF 2008 HAS FAILED. THE REASON FOR THE FAILURE WAS POOR GOC PERFORMANCE WHICH DID NOT PERMIT THE FUND TO CERTIFY COMPLIANCE WITH THE MINIMAL BUDGETARY DISCIPLINE REQUIREMENTS IT HAD AGREED WITH CHAD IN JULY 2008.

[1](#)2. (SBU) KARANGWA SAID THAT CHAD'S GENERALLY OPAQUE "EXTRAORDINARY SECURITY EXPENDITURES" ACCOUNT, WHICH THE GOC ESTIMATED LAST JULY AT FCFA 90 BILLION FOR THE AUGUST-DEC 2008 TIME PERIOD, IN FACT WILL BE NEARLY DOUBLE THAT SUM. THIS WOULD MAKE IT IMPOSSIBLE FOR THE "STAFF MONITORED PROGRAM" TO CONTINUE. THE IMF HOPES TO OVERSEE CHAD'S PERFORMANCE FOR THE REMAINDER OF 2008 AND WORK WITH CHAD ON ITS 2009 BUDGET, IN THE HOPE THAT CHADIAN PERFORMANCE CAN IMPROVE ENOUGH TO MERIT A MORE NORMAL RELATIONSHIP WITH THE FUND STARTING IN 2009.

[1](#)3. (SBU) KARANGWA STRESSED THAT THE IMF HAS TRIED VERY HARD TO REESTABLISH A NORMAL WORKING RELATIONSHIP WITH THE GOC, BUT THAT CHAD'S PERFORMANCE HAS BEEN AS DISMAL IN 2008 AS BEFORE. THE "EXTRAORDINARY SECURITY EXPENDITURES" HAVE BEEN THE MAIN VILLAIN, BUT CHAD CONTINUES MORE GENERALLY TO RESORT TO "EXTRA-BUDGETARY SPENDING" ON DUBIOUS, ILL-PREPARED AND ILL-COORDINATED PROJECTS; DECISION-MAKING ON SPENDING HAS OFTEN BEEN SHORT-CIRCUITED BY PRESIDENTIAL FIAT; "DIRECT CONTRACTING" HAS RESULTED IN ABUSES OF ALL SORTS; AND THE INFRASTRUCTURE MINISTRY WIELDS TOO MUCH AUTHORITY OVER AREAS IN WHICH IT LACKS EXPERTISE AND OVERSIGHT. KARANGWA SAID THAT THE IMF WOULD MAKE ANOTHER EFFORT TO REESTABLISH A GOOD WORKING RELATIONSHIP WITH CHAD, BUT THAT SOME CONCRETE PROGRESS ON THE CHADIAN SIDE WOULD BE ESSENTIAL FOR SUCCESS IN THIS ENDEAVOR.

[1](#)4. (SBU) KARANGWA SAID THAT THE IMF MADE NO JUDGMENTS ON WHAT KIND OF MILITARY SPENDING WAS APPROPRIATE FOR CHAD OR EVEN HOW MUCH FUTURE GOC MILITARY SPENDING SHOULD BE. BUT FUTURE MILITARY PURCHASES, SUCH AS THAT OF STRATEGIC AIR PURCHASES LIKE THE U.S. C-130JS, SHOULD BE PART OF THE GOC'S BUDGET PLANNING AND SUBJECT TO BUDGET DISCIPLINE.

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COMMENT  
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[1](#)5. (SBU) THE IMF HAS BEEN A VERY GOOD FRIEND TO CHAD, DEMONSTRATING REAL UNDERSTANDING REGARDING CHAD'S CRITICAL CURRENT SITUATION AND TROUBLED HISTORY, THE MILITARY THREATS IT FACES, AND THE NEED FOR EXTRAORDINARY SPENDING ON SECURITY AND DEFENSE. BUT WE WONDER IF THE FUND CAN CONTINUE TO EXPEND EFFORTS AND RESOURCES ON CHAD ABSENT A

SERIOUS AND SUSTAINED GOC COMMITMENT TO IMPROVING ITS  
BUDGETARY PERFORMANCE.  
NIGRO